

Message Text

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PAGE 01 PARIS 07188 221840 Z

71

ACTION EUR-25

INFO OCT-01 IO-12 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 EB-11 FRB-02 H-02 INR-09 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-14

STR-08 TAR-02 TRSE-00 USIA-12 PRS-01 SAL-01 OMB-01

AF-10 NEA-10 RSR-01 /197 W
----- 124533

R 221707 Z MAR 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8588

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION GENEVA

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E. O. 11652: N/ A

TAGS: ETRD, EEC, US

SUBJECT: EC MEDITERRANEAN POLICY AND REVERSE PREFERENCES --
GOF POSITION

REF: A. BONN 4199; B. LONDON 3074; C. EC BRUSSELS 1344

SUMMARY: GOF SHOWS LITTLE FLEXIBILITY IN ITS OPPOSITION TO
PROPOSALS THAT EC RENOUNCE REVERSE PREFERENCES IN ITS AGREEMENTS
WITH MEDITERRANEAN COUNTRIES. FRENCH BELIEVE THAT DISMANTLING OF
ALL PREFERENTIAL ARRANGEMENTS EC AND NOT SIMPLY ELIMINATION OF
MEDITERRANEAN REVERSE PREFERENCES IS REAL US OBJECTIVE.

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THEREFORE, GOF
IS LIKELY TO OPPOSE GERMAN PROPOSAL FOR ONE- WAY FTA' S AND WILL
PROBABLY ALSO RESIST COMMISSION' S PROPOSAL THAT MEDITERRANEAN
LDC' S BE ALLOWED TO EXTEND ANY PREFERENCES GIVEN EC ON MFN BASIS.
GOF HAS COOLED TOWARD CONCEPT OF OVERALL MEDITERRANEAN POLICY
AND SEEMS DISPOSED TO EXAMINE EC' S RELATIONS WITH THESE COUNTRIES
ON INDIVIDUAL BASIS, AVOIDING ANY CONCESSIONS ON MATTERS OF
PRINCIPLE WHICH WOULD PREJUDICE YAOUNDE RENEGOTIATIONS.

1. FRANCE HAS EMERGED AS THE PRINCIPAL OBSTACLE TO AN EC DECISION
TO FOREGO REVERSE PREFERENCES IN THE PROPOSED MEDITERRANEAN
POLICY. IN OUR RECENT DISCUSSIONS OF THIS ISSUE WITH GOF OFFICIALS,
WE HAVE PROBED FOR POSSIBLE AREAS OF FLEXIBILITY IN THE FRENCH
POSITION. THE RESULTS OF THESE PROBINGS ARE NOT PARTICULARLY
ENCOURAGING.

2. THE GOF CONTINUES TO BASE ITS CASE FOR REVERSE PREFERENCES
ON GATT AND DOMESTIC POLITICAL ARGUMENTS. BUT AS IS SO OFTEN
THE CASE, THE REAL ROOTS OF THE FRENCH POSITION ARE FOUND ELSE-
WHERE. THE FRENCH ARE OPENLY SCEPTICAL ABOUT OUR ASSURANCES THAT
REVERSE PREFERENCES ARE THE ONLY ELEMENT OF THE MEDITERRANEAN
POLICY TO WHICH WE OBJECT. THEY BELIEVE THAT OUR ATTACK ON
MEDITERRANEAN REVERSE PREFERENCES IS MERELY ANOTHER SALVE IN A
CONCERTED US ATTACK AGAINST ALL THE EC' S PREFERENTIAL TRADING
ARRANGEMENTS.

3. THE FRENCH SAY THEY SIMPLY CANNOT UNDERSTAND WHY REVERSE
PREFERENCES IN THEMSELVES ARE SO IMPORTANT TO THE US. THEY DISMISS
OUR CLAIM OF TRADE DAMAGE AS PROBABLY EXAGGERATED AND CERTAINLY
UNPROVEN. THEY ADMIT THAT REVERSE PREFERENCES MAY BE AN IRRITANT
IN TERMS OF THE ADMINISTRATION' S EFFORTS TO MAINTAIN A POLICY
OF CLOSE COOPERATION WITH EUROPE, BUT MAINTAIN THAT THE ONE TANGIBLE
POLITICAL PROBLEM CAUSED FOR THE US BY THE MEDITERRANEAN
AGREEMENTS
IS THAT OF CITRUS WHICH IS DUE TO SPECIAL AND NOT REVERSE
PREFERENCES.

AND FINALLY, THEY DISMISS OUR CONCERN OVER THE EROSION OF THE
MFN PRINCIPLE BY SAYING THAT THESE AGREEMENTS ARE OR WILL BE CONSIS-
TENT WITH GATT ARTICLE 24. THUS, THE FRENCH CONCLUDE, IF REVERSE
PREFERENCES ARE IN FACT OUR ONLY CONCERN, WE ARE EXPENDING AS
DISPROPORTIONATELY LARGE AMOUNT OF RESOURCES IN OUR ATTACK ON
THEM.

4. THE FRENCH ARGUE THAT ANY CONCESSIONS BY THE EC ON REVERSE
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PAGE 03 PARIS 07188 221840 Z

PREFERENCES IN THE MEDITERRANEAN WOULD BE FOLLOWED BY PRESSURES TO ELIMINATE REVERSE PREFERENCES FROM THE YAOUNDE CONVENTION AND THEN BY A MOVE TO HAVE THE SPECIAL PREFERENCES NOW GIVEN THE FORMER FRENCH, BELGIAN AND ITALIAN COLONIES SUBSUMED INTO THE GSP. THIS IS A SCENARIO WHICH THE FRENCH BELIEVE COULD JEOPARDIZE THEIR SPECIAL TIES WITH THEIR FORMER COLONIES AND ONE WHICH THEY DO NOT INTEND TO ALLOW TO DEVELOP. (ONE SENIOR GOF OFFICIAL ILLUSTRATED THE IMPORTANCE WHICH THE FRENCH ATTACH TO THEIR TIES WITH THE FORMER COLONIES BY SAYING THAT THE TREATY OF ROME' S PROVISION FOR ASSOCIATION AGREEMENTS WITH THESE COUNTRIES RANKED WITH THE CAP AS A SINE QUA NON OF FRENCH PARTICIPATION IN THE EC.)

5. THUS, REVERSE PREFERENCES ARE NOT IN FRENCH EYES THE REAL ISSUE. IN FACT, WITH THE POSSIBLE EXCEPTION OF THE MAGHREB COUNTRIES, FRENCH OFFICIALS ADMIT THAT REVERSE PREFERENCES FROM THE NON- EUROPEAN MEDITERRANEAN COUNTRIES ARE OF MINIMAL IMPORTANCE. SOME OFFICIALS EVEN SPECULATE THAT REVERSE PREFERENCES UNDER YAOUNDE MAY BE MORE TROUBLE THAN THEY ARE WORTH. BUT THE FRENCH FEAR THAT THE ELIMINATION OF REVERSE PREFERENCES WOULD DESTROY THE FREE TRADE AREA JUSTIFICATION FOR GIVING SPECIAL PREFERENCES.

6. THEREFORE, WE ANTICIPATE THAT THE GOF WILL RECOGNIZE THE FRG PROPOSAL FOR ONE- WAY FTA' S AS A FIRST STEP DOWN THE ROAD TOWARD THE ELINIATION OF SPECIAL PREFERENCES AND WILL OPPOSE IT, REGARDLESS OF WHETHER THE USG OFFERS ASSURANCES THAT WE WILL NOT CHALLENGE THE LEGALITY OF THESE ARRANGEMENTS. WE ALSO SUSPECT THTAT THE GOF WILL VIEW THE COMMISSION' S PROPOSAL AS ONLY A SLIGHTLY LESS UNFAVORABLE COMPROMISE AND WILL RESIST MAKING EVEN THIS CON- CESSION TO USG CONCERNS IN THE CONTEXT OF AN OVERALL MEDITERRANEAN POLICY.

7. AT THIS POINT, THE GOF HAS COOLED TOWARD THE CONCEPT OF A GLOBAL MEDITERRANEAN POLICY AND SEEMS DISPOSED TO REVIEW THE EC' S RELATIONSHIPS WITH THESE COUNTRIES ON A CASE BY CASE BASIS. IN THIS WAY, THEY WILL HOPE TO AVOID AN ALL- OUT CONFRONTATION WITH THE US, WHILE ENSURING THAT THE EC MAKES NO GENERAL CONCESSIONS OF PRINCIPLE WHICH WOULD PREJUDICE ITS POSITION IN THE YAOUNDE RENEGOTIATIONS.

DECON FOL DECEMBER 31, 1976.

IRWIN

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